



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 24, 2008

TO: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **LOS ANGELES URBAN LEAGUE INC., SOUTH CENTRAL CONTRACT  
– A COMMUNITY AND SENIOR SERVICES WORKFORCE  
INVESTMENT ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Los Angeles Urban League Inc., South Central (Urban League - South Central or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

**Background**

CSS contracts with Urban League - South Central, a private non-profit organization to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The Agency's office is located in the Second District.

The Agency is compensated on a cost reimbursement basis and had a contract for \$1,273,428 for Fiscal Year (FY) 2006-07.

**Purpose/Methodology**

The purpose of the review was to determine whether Urban League – South Central complied with its FY 2006-07 contract terms and appropriately accounted for and spent WIA funds in providing services outlined in their County contract. We also evaluated

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the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

### **Results of Review**

Urban League – South Central was significantly out of compliance with the County contract and has not repaid CSS \$235,362 in overbillings identified in the prior year monitoring report. An additional \$94,268 in overbillings were identified during this year's monitoring review for FY 2006-07. Urban League – South Central:

- Did not maintain adequate documentation totaling \$19,481 in program expenditures.
- Billed CSS \$28,409 for unsupported payroll costs. Subsequent to our review, Urban League – South Central provided additional documentation to support \$10,030 of the unsupported payroll expenditures, resulting in an overbilling of \$18,379.
- Exceeded budgeted amounts for the WIA Adult program by \$26,018 and \$4,849 for the WIA Dislocated Worker program. The County contract requires the contractor to request reimbursement for actual expenditures incurred and not to exceed budgeted amounts.
- Billed CSS for unsupported expenditures. The Agency's FY 2005-06 general ledger totals did not agree to the totals reported in the Agency's FY 2005-06 close-out invoice. Specifically, Urban League – South Central's general ledger total for the WIA Adult and Dislocated Worker programs was \$1,284,262. However, the Agency billed CSS \$1,289,010, resulting in \$4,748 in unsupported expenditures.
- Inappropriately purchased \$15,842 in supplies, bus tokens, gas cards and food in May and June 2006 without prior written approval from CSS. The County contract indicates that purchases of supplies must be completed prior to the last two months of the contract period and exceptions to this restriction require prior written approval from CSS.
- Did not maintain documentation to support travel expenditures related to a conference attended in FY 2006-07 totaling \$2,911.
- Provided \$2,040 in direct services to an ineligible participant.

Urban League – South Central also did not always comply with the WIA guidelines or County contract requirements. For example, Urban League – South Central:

- Did not follow-up with five (55%) of the nine participants sampled that left the WIA programs.

- Did not report the program activities on the Job Training Automation system for four (20%) of the 20 participants sampled.
- Did not appropriately apply the Agency's Cost Allocation Plan to program expenditures.
- Did not obtain general liability, crime coverage or professional liability insurance coverage.
- Did not fill two (12%) of their 17 budgeted positions as required by the County contract. Specifically, Urban League – South Central did not fill the positions of the Career Resource Specialist and Business Advisor. This finding was also noted during the prior year's monitoring review.
- Did not obtain criminal clearances for any of the five employees sampled.
- Did not maintain proof of automobile insurance in the employees' personnel files for any of the five employees sampled.
- Did not maintain proof of a valid driver's license for one (20%) of the five employees sampled. This finding was also noted during the prior year's monitoring review.

Urban League – South Central management indicated that the Agency plans to implement the outstanding recommendations in FY 2007-08. If Urban League – South Central does not make significant progress on implementing the recommendations, CSS should consider ceasing contracting with this Agency in the future.

Details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with Urban League – South Central and CSS on November 15, 2007. In the attached response, Urban League – South Central indicated agreement with most of the recommendations. They also indicated that they had not been made aware which program participant was ineligible to receive services and that they will repay CSS for any costs incurred for the ineligible participant. It should be noted that the name of the ineligible participant was provided to the Agency at the preliminary exit conference on June 14, 2007 and during the formal exit conference held on November 15, 2007.

In addition, the Agency indicated that they have provided documentation to support payroll and non-payroll expenditures. For example, we recommended that the Agency repay CSS \$19,481 (Recommendation #9) because the Agency did not maintain

adequate documentation, such as invoices, purchase orders, cancelled checks, etc. The documentation provided by Urban League – South Central was not acceptable because it was for expenditures not related to this review.

For unsupported payroll expenditures, the Agency provided documentation to support \$10,030 of the \$28,409. The remaining \$18,379 in unsupported payroll expenditures were missing time records, the time cards were not signed by the employees and/or supervisors or did not support the amount billed.

CSS needs to work closely with Urban League – South Central to ensure the Agency makes significant progress on implementing the recommendations and pays CSS the amounts owed, or CSS should consider ceasing contracting with this Agency in the future.

Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Trevor Ware, Chief Operating Officer, Los Angeles Urban League Inc., South Central  
Los Angeles Urban League Board of Directors  
Public Information Office  
Audit Committee  
Workforce Investment Board

**WORKFORCE INVESTMENT ACT PROGRAMS  
LOS ANGELES URBAN LEAGUE INC., SOUTH CENTRAL  
FISCAL YEAR 2006-07**

**ELIGIBILITY**

**Objective**

Determine whether Los Angeles Urban League Inc., South Central (Urban League – South Central or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for 20 (7%) of the 289 participants that received services between July 2006 and May 2007 for documentation to confirm their eligibility for WIA services.

**Results**

Urban League – South Central did not maintain appropriate documentation to support the participant's eligibility to receive program services for one (5%) of the 20 participants sampled. Specifically, Urban League – South Central did not maintain appropriate documentation to support one Dislocated Worker's eligibility as required by WIA guidelines. Urban League – South Central billed CSS \$2,040 in direct costs associated with providing services to the ineligible individual. The Agency also may have billed CSS for other direct and indirect services for the ineligible individual. However, we were unable to determine the amount.

**Recommendations**

**Urban League – South Central management:**

- 1. Repay CSS \$2,040 and for any other costs incurred in providing services to the ineligible participant.**
- 2. Ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**

**BILLED SERVICES/CLIENT VERIFICATION****Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 20 (7%) participants that received services during July 2006 through May 2007. We also interviewed seven participants.

**Results**

The seven participants interviewed stated that the services received met their expectations. However, Urban League – South Central did not always comply with WIA guidelines. Specifically, Urban League – South Central:

- Did not complete the Individual Employment Plans (IEP) for two (10%) of the 20 participants sampled. The IEP is an on-going plan jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve the employment goals. This finding was also noted during the prior year's monitoring review.
- Did not follow-up with five (55%) of the nine participants that left the WIA programs. This finding was also noted during the prior year's monitoring review.
- Did not report the program activities, such as completion of training and supportive services, on the Job Training Automation (JTA) system for four (20%) of the 20 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.
- Did not maintain documentation to support the program activities reported on the JTA system for one (5%) of the 20 participants sampled.

**Recommendations**

**Urban League – South Central management:**

- 3. Ensure that staff complete the Individual Employment Plans.**
- 4. Ensure that staff follow-up with participants that left the WIA programs in accordance with WIA guidelines.**

5. Ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.
6. Ensure that appropriate documentation is maintained in the participants case files to support the program activities reported on the Job Training Automation system.

### **CASH/REVENUE**

#### **Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

#### **Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's April 2007 bank reconciliation.

#### **Results**

Urban League – South Central did not obtain two authorized signatures on all checks as required by the County contract. In addition, Urban League – South Central's check signer was not listed as an authorized signer. The same finding was noted during the prior two years' monitoring reviews.

Subsequent to our review, Urban League – South Central updated the list of authorized check signers and revised the Agency's accounting manual to require two authorized signatures on all checks.

#### **Recommendations**

**Urban League – South Central management:**

7. Ensure that two authorized signatures are obtained on all checks.
8. Review checks signed by the unauthorized check signer and ensure that the disbursements made were for allowable program expenditures.

### **EXPENDITURES/PROCUREMENT**

#### **Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 39 non-payroll expenditure transactions for September 2006, December 2006 and February 2007, totaling \$33,840.

**Results**

Urban League – South Central overbilled CSS \$19,481. The Agency also needs to obtain written approval from CSS to support an additional \$32,186 in program expenditures. Specifically, Urban League – South Central:

- Did not maintain adequate documentation, such as invoices, purchase orders, cancelled checks or completed mileage claims to support the expenditures, totaling \$19,481. Urban League – South Central provided copies of invoices and cancelled checks to support the \$19,481 unsupported expenditures. However, the documentation provided did not adequately support the program expenditures. Specifically, Urban League – South Central provided invoices and cancelled checks which did not support the expenditures in question.
- Did not obtain prior written approval from CSS for the lease of several copiers. The Agency billed CSS \$32,816 during FY 2006-07. The County contract requires prior written approval from CSS for equipment costing over \$5,000 and copies of lease agreements to support lease expenditures. This finding was also noted during the prior four years' monitoring reviews. Subsequent to our review, Urban League – South Central obtained retroactive approval from CSS for the leased copiers.

**Recommendations**

**Urban League – South Central management:**

- 9. Repay CSS \$19,481.**
- 10. Ensure that prior written approval is obtained for equipment costing over \$5,000, including equipment leases.**
- 11. Maintain adequate documentation to support program expenditures.**

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.



**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted on-site visits and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

Urban League – South Central was not always in compliance with County contract requirements. Specifically, Urban League – South Central:

- Did not obtain general, crime coverage, or professional liability insurance coverage. A similar finding was also noted during the prior year's monitoring review.
- Did not obtain a building inspection as required. This finding was also noted during the prior year's monitoring review.
- Did not maintain the required hours of operation. Specifically, Urban League - South Central's hours of operation were from 8:30 a.m. to 5:00 p.m., Monday through Friday. However, the County contract required the Agency's office to operate from 8:00 a.m. to 5:00 p.m., Monday through Friday and to be open on Saturdays. This finding was also noted during the prior year's monitoring review.
- Did not obtain three price quotes for purchases over \$1,000. For example, the Agency purchased two computer notebooks in June 2006, each costing \$1,607. However, Urban League – South Central did not document three price quotes or document the justification for sole source as required.
- Did not mark the invoices and other supporting documentation as "paid." This finding was also noted during the prior year's monitoring review.
- Did not maintain personnel and accounting policies and procedures manuals in compliance with the County contract. Specifically, the Agency's personnel manual did not include a policy on Child Abuse Prevention and the accounting manual did not include a policy on bonding of employees as required.

**Recommendations**

**Urban League – South Central management:**

- 12. Obtain general, crime coverage and professional liability insurance coverage as required by the County contract.**
- 13. Obtain a building inspection.**

14. Ensure that the hours of operation are maintained as specified in the County contract.
15. Obtain three price quotes for purchases over \$1,000.
16. Ensure that invoices and other supporting documentation are marked “paid” when funds are disbursed.
17. Ensure that the Agency’s personnel and accounting policies and procedures manuals comply with the County contract.

### **FIXED ASSETS AND EQUIPMENT**

#### **Objective**

Determine whether the Agency’s fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

#### **Verification**

We interviewed Agency personnel and reviewed the Agency’s equipment and inventory listing. In addition, we performed a physical inventory and reviewed the usage of 24 (12%) of the 195 items funded by WIA funds, totaling \$54,047.

#### **Results**

Urban League – South Central did not always use items purchased with WIA funds for the WIA programs. Specifically, Urban League – South Central allowed an employee’s relative to use one (4%) of the 24 items sampled for personal use.

#### **Recommendation**

18. Urban League – South Central management ensure that items purchased with WIA funds are used for the WIA programs.

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced payroll expenditures totaling \$58,507 invoiced for 17 employees for September 2006 to the Agency's payroll records and time reports. We also interviewed one employee assigned to the WIA programs.

**Results**

Urban League – South Central billed CSS \$28,409 in unsupported payroll expenditures. The Agency is required to maintain time records for their employees that identify the hours they worked each day by program. Urban League – South Central billed CSS based on budgeted payroll amounts not actual payroll costs. Subsequent to our review, Urban League – South Central provided additional documentation to support \$10,030 of the \$28,409 in unsupported payroll expenditures.

In addition Urban League – South Central personnel operations did not comply with the County contract or WIA regulations. Specifically, Urban League – South Central:

- Did not employ a Career Resource Specialist and Business Advisor as required in their County contract. This finding was also noted during the prior year's monitoring review.
- Did not obtain criminal clearances for any of the five employees sampled.
- Did not maintain proof of automobile insurance in the employees' personnel files for any of the five employees sampled.
- Did not maintain proof of a valid driver's license for one (20%) of the five employees sampled. Similar findings were also noted during the prior year's monitoring review.

**Recommendations****Urban League – South Central management:**

- 19. Repay CSS \$18,379 (\$28,409 - \$10,030) and for any fringe benefits associated with the unsupported payroll expenditures.**
- 20. Review FY 2006-07 payroll expenditures, determine the total amount of unsupported payroll expenditures and repay CSS.**
- 21. Ensure that employees' timecards indicate the hours worked each day by program to support the payroll expenditures and bill CSS based on actual expenditures incurred and not based on estimated amounts.**
- 22. Hire a Career Resource Specialist and Business Advisor.**

23. Obtain criminal clearances for all employees assigned to the WIA program and ensure that the personnel files are maintained as required, including maintaining proof of automobile insurance and valid drivers' licenses in the employees' personnel files.

### **COST ALLOCATION PLAN**

#### **Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

#### **Verification**

We reviewed the Agency's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from September 2006 and February 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

#### **Results**

Urban League – South Central's Cost Allocation Plan was prepared in compliance with the County contract. However, the costs were not always appropriately allocated. As previously indicated, Urban League – South Central billed CSS shared direct employees' payroll expenditures based on estimated percentage of participant enrollment in each program not actual payroll costs.

According to the Agency's Cost Allocation Plan, direct personnel costs are to be allocated based on actual hours worked and shared personnel costs are to be allocated based on the percentage of participants enrolled in each of the Agency's programs. In addition, Urban League – South Central's Cost Allocation Plan requires the Agency to review the actual enrollment data quarterly and adjust their allocated costs. This finding was also noted during the prior years' monitoring reviews.

#### **Recommendations**

##### **Urban League – South Central management:**

24. Ensure that the Agency's Cost Allocation Plan is correctly applied to program costs.
25. Review the actual enrollment data quarterly, adjust allocated costs as required by the Agency's Cost Allocation Plan and repay CSS for any adjustments that resulted in over allocation of expenditures to the WIA programs.

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice reconciles to the Agency's financial accounting records.

**Verification**

We traced and agreed the Agency's FY 2005-06 general ledger to their final close-out invoice. In addition, we reviewed a sample of expenditures incurred in May and June 2006.

**Results**

Urban League – South Central overbilled CSS \$54,368. Specifically:

- Urban League – South Central exceeded multiple line-item budgeted amounts totaling \$26,018 for the WIA Adult program and \$4,849 for the WIA Dislocated Worker program. The County contract requires the contractor to request reimbursement for actual expenditures incurred during the program year, not to exceed budgeted amounts, unless the contractor obtains prior CSS approval to modify their budget. The Agency did not request CSS to modify their budget. A similar finding was also noted during prior years' monitoring reviews.
- Urban League – South Central's FY 2005-06 general ledger totals did not agree to the totals reported in the Agency's FY 2005-06 close-out invoice. Specifically, Urban League – South Central's general ledger total for the WIA Adult and Dislocated Worker programs was \$1,284,262. However, the Agency billed CSS \$1,289,010, resulting in \$4,748 in unsupported expenditures.
- Urban League – South Central inappropriately purchased \$15,842 in supplies, bus tokens, gas cards and food in May and June 2006 without prior written approval from CSS. The County contract indicates that purchases of supplies must be completed prior to the last two months of the contract period and exceptions to this restriction require prior written approval from CSS.
- Urban League – South Central did not maintain documentation, such as invoices, receipts, airline itineraries or outlines of the conferences attended, to support the travel expenses totaling \$2,911. In addition, the conference attended was held during FY 2006-07 and as such, should have been billed in FY 2006-07 and not in FY 2005-06.

**Recommendations****Urban League – South Central management:**

26. Repay CSS \$54,368.
27. Ensure that expenditures do not exceed budgeted amounts.
28. Obtain prior written approval from CSS for purchases of supplies within the last two months of the contract period.
29. Ensure that the expenditures are billed to CSS in the correct program year.
30. Review the FY 2005-06 expenditures to ensure that the prior year's expenditures were appropriately allocated and billed to CSS, and repay CSS for any amounts overbilled as a result of inappropriate allocation of expenditures.

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

**Verification**

We verified whether the outstanding recommendations from the FY 2005-06 monitoring review were implemented. The report was issued on June 12, 2007.

**Results**

The prior year's monitoring report contained 25 recommendations. Urban League – South Central implemented eight of the 25 recommendations. As indicated earlier, the findings related to Recommendations 3, 4, 5, 7, 10, 11, 12, 13, 14, 16, 21, 22, 23, 24 and 27 were also noted during our prior monitoring review. The remaining two recommendations required the Agency to repay CSS \$235,362 and implement the outstanding recommendations from the prior years' monitoring reports. Urban League – South Central management indicated that the Agency plans to implement the outstanding recommendations in FY 2007-08.

**Recommendations**

**Urban League – South Central:**

- 31. Immediately repay CSS \$235,362.**
- 32. Implement the outstanding recommendations from the prior years' monitoring reports.**
- 33. CSS management needs to follow-up to ensure Urban League – South Central makes significant progress on implementing the recommendations and if not, consider ceasing contracting with this Agency.**

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**ELIGIBILITY**

**Recommendations**

Urban League – South Central management:

1. Repay CSS \$2,040 and for any other costs incurred on behalf of the ineligible individual.
2. Ensure that staff obtain the appropriate documentation from the participants to determine the participant's eligibility for program services prior to enrollment.

**LAUL Response**

1. LAUL has not been made aware which individual the auditor claims is ineligible. LAUL requests that the auditor provide information identifying this individual. If LAUL assumed expenses for an ineligible client and billed said cost to DCSS that amount assumed will be returned to the Department of Community and Senior Services.
2. LAUL will comply with this audit recommendation.

**BILLED SERVICES/CLIENT VERIFICATION**

**Recommendations**

Urban League - South Central management:

3. Ensure that staff complete the IEP.
4. Ensure that staff follow-up with participants that left the WIA programs in accordance with WIA guidelines.
5. Ensure that staff accurately update the JTA system to reflect the participants' program activities.
6. Ensure that appropriate documentation is maintained in the participant's case file to support the program activities reported on the JTA system.

**LAUL Response**

3. LAUL will comply with this recommendation.
4. LAUL will comply with this recommendation.
5. LAUL will comply with this recommendation.
6. LAUL will comply with this recommendation.

**CASH/REVENUE**

**Recommendations**

Urban League - South Central management:

7. Ensure that two authorized signatures are obtained on all checks
8. Review checks signed by the unauthorized check signer and ensure that the disbursements made were for allowable expenditures.

**LAUL Response**

7. As noted in the draft audit findings, subsequent to the initial findings LAUL modified its accounting procedures to require two authorized signatures on all checks. These updates have been provided to the Auditor.
8. LAUL has updated its accounting procedures and practices to ensure that check signers are authorized. These updates have been provided to Auditor.

## EXPENDITURES/PROCUREMENT

### Recommendations

Urban League - South Central management:

9. Repay DCSS \$19,481.
10. Ensure that prior written approval is obtained for equipment over \$5,000.
11. Maintain adequate documentation to support program expenditures.

### LAUL Response

9. The repay amount of \$19,481 represent September 2006 and February 2007 non-payroll expenses. Subsequent to review LAUL submitted copies of expenditure for the period requested. However, the draft letter continues to deem the information provided inadequate. We would like to provide any addition information that would satisfy this finding.

On November 13, 2007 LAUL met with Yoon Bae at 9:30am at her office in Alhambra. At that time LAUL previewed a book of supporting documentation for Ms. Bae. Under Tab 9 of the South Central book LAUL provided invoices and cancelled checks for the LAUL South Central WorkSource Center (Adult and Dislocated Worker Programs) for the requested months of September 2006 and February 2007. These invoices and cancelled checks itemize every expenditure for the two months requested. Support for no months other than those requested was provided under Tab 9 in the book. The book was presented to Ms. Bae on November 15, 2007 during our audit exit review with Ms. Bae and Heberto Sanchez, Project Supervisor of CDD.

Contrary to the draft finding, LAUL has provided copies of invoices, cancelled checks and/or documentation to support the shared expenditures allocations for \$19,481 in expenditures for the months requested.

On January 4, 2008 LAUL COO Trevor Ware left a message with Yoon Bae clarifying LAUL's position on this matter. He asked for an opportunity to clear up the matter with Ms. Bae prior to submitting LAUL's response to the draft letter.\

10. LAUL's purchasing policy has been updated to per the recommendation. This policy will ensure that prior approval will be obtained for equipment over \$5,000.
11. LAUL will maintain accurate supporting documentation as recommended. LAUL has improved its filing practices to ensure this condition is met.

### **INTERNAL CONTROLS/CONTRACT COMPLIANCE**

#### **Recommendations**

Urban League - South Central management:

12. Obtain general, crime coverage and professional liability insurance coverage as required by the County contract.
13. Obtain a building inspection.
14. Ensure that the hours of operation are maintained as specified in the County contract.
15. Obtain three priced quotes for purchases over \$1,000.
16. Ensure that invoices and other supporting documentation are marked "paid".
17. Ensure that the Agency's personnel and accounting policies and procedures manuals are in compliance with regulatory guidelines.

#### **LAUL Response**

12. Subsequent to the initial review LAUL provided the auditor with a copy of LAUL's Proof of Coverage for Workers Compensation for the years covered by the audit. This information was contained under Tab 12 of the South Central book LAUL provided to the auditor on November 15, 2007. Upon review, LAUL provided a copy of its general liability insurance during the audit of the Pomona WorkSource Center, but not during the audit of the South Central WorkSource Center. LAUL has attached a copy of its general liability insurance which covers the South Central WorkSource Center.
13. Subsequent to the initial review LAUL provided the auditor with a copy of a recent *building inspection*. This information was contained under Tab 13 of the South Central book LAUL provided to the auditor on November 15, 2007.
14. Since the inception of the South Central WorkSource Center LAUL has shared space with EDD who holds the primary lease of the facility and provides services from the facility on Monday thru Friday. Given that LAUL has successfully operated the South Central WorkSource Center LAUL will submit a request to the Department of Community and Senior Services to change contractual language regarding the South Central WorkSource Center's hours of operation to recognize the center's Monday thru Friday operation.
15. LAUL will comply with this recommendation.

16. Prior to the audit LAUL would stamp all invoices as paid and secure supporting documents to the invoice. Per the auditor's recommendation, LAUL has made it our policy to stamp all invoices and supporting documents as paid.
17. LAUL is updating its Personnel and Policies to include a policy on Child Abuse Prevention as required by our contract. LAUL is updating our accounting policies to include a policy regarding employee bonding.

**FIXED ASSETS AND EQUIPMENT**

**Recommendations**

18. Urban League - South Central management ensure that equipments purchased with WIA funds are used for the WIA programs.

**LAUL Response**

18. LAUL will comply with this recommendation.

## **PAYROLL AND PERSONNEL**

### **Recommendations**

Urban League – South Central management:

19. Repay CSS \$18,379 and for any fringe benefits associated with the unsupported payroll expenditures.
20. Review FY 2006-07 payroll expenditure, determine the total amount of unsupported payroll expenditures and repay CSS.
21. Ensure that employees' timecards indicate the hours worked each day by program to support the payroll expenditures and bill CSS based on actual expenditures incurred and not based on estimated amounts.
22. Fill all budgeted positions to ensure that contractual commitments are met.
23. Obtain a criminal clearance for all employees assigned to the WIA program and ensure that the personnel files are maintained as required.

### **LAUL Response**

19. Subsequent to the review LAUL submitted time management sheets for the payroll period ending September 25, 2006. These documents show that all payroll expenses for September 2006, totaling \$58,507, can be appropriately documented. This information was provided to the auditor on November 15, 2007 in the South Central book under Tab 19.
20. LAUL reviewed 2006-07 payroll expenditures and found that payroll expenditures are supported. No repayment to CSS is warranted.
21. Subsequent to initial review LAUL implemented this audit recommendation. Time Management Sheets are used to allocate employee expenses to each program. These changes will be evident in subsequent audits.
22. LAUL will comply with this recommendation.
23. LAUL will comply with this recommendation.



### **COST ALLOCATION PLAN**

#### **Recommendations**

Urban League – South Central management:

- 24. Ensure that the Agency's Cost Allocation plan is correctly applied to program costs.
- 25. Review the actual enrollment data quarterly, adjust allocated costs as required by the Agency's Cost Allocation Plan and repay CSS for any adjustments that resulted in overpayments.

#### **LAUL Response**

- 24. LAUL commits to follow its Cost Allocation Plan. As recommended by the auditor, LAUL will review actual enrollment data quarterly and adjust allocated costs appropriately.
- 25. LAUL will comply with this recommendation.

## **CLOSE-OUT REVIEW**

### **Recommendations**

Urban League – South Central management:

26. Repay CSS \$54,368.
27. Ensure that expenditures do not exceed budgeted amounts.
28. Obtain prior written approval from DCSS for purchases of supplies within the last two months of the contract period
29. Ensure that expenditures are billed to CSS in the correct program year
30. Review the FY 2005-2006 expenditures to ensure that the prior year's expenditures were appropriately allocated and billed to DCSS, and repay CSS for any amounts overbilled as a result of inappropriate allocation of expenditures.

### **LAUL Response**

26. Our response will be divided into four parts. As stated in the Results section of the draft letter, the \$54,368 amount includes three components; budget line item overruns in the amounts of \$26,018 for the WIA Adult program and \$4,849 for the WIA Dislocated Worker programs; \$4,748 in alleged unsupported expenditures; \$15,842 in unapproved expenditures; and \$2,911 in unsupported travel expenses. LAUL will respond to each component.

LAUL acknowledges the auditors statement that multiple budget line-items were exceeded for the WIA adult program totaling \$26,018 for WIA Adult and \$4,849 for WIA Dislocated Worker programs. While line item budgets were exceeded the total budget for the program was not exceeded. Further, all expenditures were for allowable expenses which benefited the program. LAUL has agreed to submit to the County of Los Angeles Department of Community and Senior Services a request for retroactive budget modification for all budget line items exceeded. LAUL has implemented review procedures to ensure overruns do not continue.

LAUL acknowledges the auditors finding that the FY 2005-06 general ledger totals did not agree with the totals reported on LAUL's FY 2005-06 close-out invoice. LAUL will comply with the auditor's recommendation that \$4,748 be repaid to DCSS.

LAUL acknowledges the auditors statement that LAUL purchased \$15,842 in supplies, bus tokens, gas cards and food in May and June 2006 without prior written approval of DCSS. While these items were purchased the total budget for the program was not exceeded. Further, these expenditures are for allowable expenses which benefited the program.

LAUL has agreed to submit to the County of Los Angeles Department of Community and Senior Services a request for retroactive approval for these expenditures.

LAUL acknowledges the auditors finding that \$2,911 in travel expenses were not properly substantiated. LAUL will comply with the auditor's recommendation that \$2,911 be repaid to DCSS.

27. LAUL will comply with this recommendation. Future budget modification will be completed submitted to the funding source in a timely manner to ensure LAUL does not exceed budget amounts.

28. LAUL will comply with this recommendation.

29. LAUL will comply with this recommendation. LAUL now has multiply staff reviewing program invoices and the allocation of expenses to ensure that all expenses are billed to CSS in the correct program year.

30. LAUL has performed the required review. All prior year expenditures were allocated based on approved cost allocation plan. Expenditures were appropriately allocated and billed to CSS.

**PRIOR YEAR FOLLOW-UP**

**Recommendations**

Urban League – South Central management:

31. Immediately repay CSS \$235,362.
32. Implement the outstanding recommendations from the prior years' monitoring reports

**CSS management**

33. Follow up to ensure that Urban League – South Central makes significant progress on implementing the recommendations.

**LAUL Response**

31. As acknowledged in the auditor's draft letter, several prior year recommendations have been resolved. The remaining issues must be addressed by LAUL and DCSS directly.

The auditor sites \$235,362 in unresolved issues remaining. This amount is comprised of 4 elements: \$158,716 in costs associated with the operation of an ESD WorkSource Center at LAUL during FY 2003-04 and 2004-05; budget line item overruns during the 2005-06 program year totaling \$19,449; a copier lease of \$31,413 which has been retroactively approved; and shared costs of \$30,000 associated with a security guard at the facility.

As DCSS is aware, during FY2003-04 and FY 2004-05 LAUL operated a satellite of its South Central WorkSource Center. This satellite was located at 3450 Mt. Vernon Drive in Los Angeles. LAUL has provided evidence verifying the operation of this facility for the contracted purpose. However, the costs associated with the operation of the facility were reported as subcontractor costs. Subsequently, LAUL was informed that the appropriate reporting of these costs would have been as a satellite facility. Since services were successfully provided according to agreement, LAUL requests that DCSS reclassify these expenses as required to allow the expenses to be deemed acceptable.

LAUL acknowledges the auditor's statement that budget line-items were exceeded. These overruns total \$19,449. While line item budgets were exceeded the total budget for the program was not exceeded. Further, all expenditures were for allowable expenses which benefited the program. LAUL has agreed to submit to the County of Los Angeles Department of Community and Senior Services a request for retroactive budget modification for all budget line items exceeded. LAUL has implemented review procedures to ensure overruns do not continue.

Included in the amount the auditor sites is \$31,413 associated with a copier lease. LAUL requested, and subsequently received, approval for the purchase of the copiers covered by this finding. LAUL requests that this claim be dropped.

Lastly, \$30,000 was disallowed associated with the cost of a security guard for the facility. LAUL and EDD evenly divided the \$30,000 cost of security guard; however, a contract describing the agreement was not produced. Given that these costs were allowable and expended for the purpose of serving the contract, LAUL requests that DCSS approve the expenditures.

Thank you for your time reviewing this response.



Trevor Ware  
Chief Operations Officer  
Los Angeles Urban League

Tw:jm

Cc: Blair Taylor – President Los Angeles Urban League  
Antoinette Anderson – Director South Central WorkSource Center

<b>ACORD CERTIFICATE OF LIABILITY INSURANCE</b>		DATE (MM/DD/YYYY) 5/23/2006
<b>PRODUCER</b> RFP INSURANCE AGENCY 5601 WEST SLAUSON AVE., SUITE 250 CULVER CITY, CA 90230 Phone (310) 642-1933 Fax (310) 645-3150		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.
<b>INSURED</b> LO: ANGELES URBAN LEAGUE INC 3450 MOUNT VERNON DRIVE LO: ANGELES, CA 90008		<b>INSURERS AFFORDING COVERAGE</b> INSURER A: PHILADELPHIA INDEMNITY INS. CO. INSURER B: INSURER C: INSURER D: INSURER E:
		NAIC #

**COVERAGES**

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR	ADDL	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A		GENERAL LIABILITY	PHPK170416	5/13/2006	5/13/2007	EACH OCCURRENCE \$ 1,000,000
		<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000
		<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person) \$ 5,000
						PERSONAL & ADV INJURY \$ 1,000,000
		GENERAL AGGREGATE \$ 2,000,000				PRODUCTS - COMP/OP AGG \$ 2,000,000
A		AUTOMOBILE LIABILITY	PHPK170416	5/13/2006	5/13/2007	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
		<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person) \$
		<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident) \$
		<input checked="" type="checkbox"/> HIRE D AUTOS				PROPERTY DAMAGE (Per accident) \$
		<input checked="" type="checkbox"/> NON-OWNED AUTOS				
		GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT \$
		<input type="checkbox"/> ANY AUTO				OTHER THAN EA ACC \$
						AUTO ONLY AGG \$
A		EXCESS/UMBRELLA LIABILITY	PHUB062949	5/13/2006	5/13/2007	EACH OCCURRENCE \$ 10,000,000
		<input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE \$ 10,000,000
		<input type="checkbox"/> DEDUCTIBLE				\$
		RETENTION \$				\$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY				WC STATUTORY LIMITS OTHER \$
		ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?				E.L. EACH ACCIDENT \$
		If yes, describe under SPECIAL PROVISIONS below				E.L. DISEASE - EA EMPLOYEE \$
						E.L. DISEASE - POLICY LIMIT \$
A		OTHER PROPERTY	PHPK170416	5/13/2006	5/13/2007	BLDG./CONT: \$3,236,889
		CRIME	PHPK170416	5/13/2006	5/13/2007	EMPLO. DISH: 100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

<b>CERTIFICATE HOLDER</b>	<b>Additional Insured</b>	<b>CANCELLATION</b>
COUNTY OF LOS ANGELES CONTRACT MANAGEMENT DIVISION ATTN: MARION LAMBERT 3171 W. 6TH STREET, ROOM 307 LOS ANGELES, CA 90020-		SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.
		AUTHORIZED REPRESENTATIVE 